

1. Respondent PTI Securities & Futures L.P. ("PTI") has been registered as a dealer with the Illinois Secretary of State since March 16, 1992, and has the last known address of 411 South Wells Street, Suite 900, Chicago, IL 60607.
2. Respondent Daniel John Haugh ("Haugh") has been a registered salesperson of Respondent PTI since March 16, 1992; the Vice President of Respondent PTI since December of 1995; and the Chief Compliance Officer "CCO," Financial and Operations Principal "FINOP," FINRA Executive Representative, Anti-Money Laundering Compliance Officer "AMLCO," and Registered Option and Security Futures Principal "ROSF" of Respondent PTI since April 2007. Since October 31, 2014, Respondent Haugh has been registered as an investment adviser representative with Wells Street Advisers, LLC, and has a last known address of 10909 S. Longwood Drive, Apartment 1, Chicago, IL 60643.

FAILURE TO MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES

3. In or around November 2009, Victim A ("OCS") opened a Traditional IRA at Respondent PTI. The salesperson listed on the IRA application was Respondent Haugh. The application listed OCS's social security number and date of birth. OCS was the only applicant on the account. The application was signed by both OCS and Respondent Haugh.
4. In December 2011, OCS submitted a "Required Minimum Distribution Form" requesting a one-time withdrawal from the IRA account payable by check, mailed to OCS's residence, and having 15% of income taxes withheld. The request form contained his date of birth, social security number, and signature, which matched the information provided on his account application.
5. On November 26, 2014, OCS sent an email to Respondent Haugh asking a questions relating to his IRA account. The email went to Respondent Haugh's email inbox and he responded to it on December 1, 2014.
6. On December 19, 2014, Respondent Haugh emailed OCS stating: "Just checking that you have met your Required Minimum Distributions from your IRA's this year as there has been no disbursement from your PTI account."
7. OCS responded to Respondent Haugh's email, which went to Respondent Haugh's email inbox, and stated that he was okay and did not need to take a distribution from the PTI account.
8. On February 19, 2015, Respondent Haugh received an email in his SPAM folder. The email stated: "Hi Dan, Could you please email me the cash balance on all my account (sic). Thanks, [OCS]."

Notice of Hearing

-1500161-

9. Respondent Haugh responded to the email on February 19, 2015, with a subject line "PTI" and stated the current balance in the account was \$151,355.69.
10. On February 19, 2015, a response was received by Respondent Haugh to the "PTI" subject line email requesting the wire transfer of \$45,780 to an account held by an unrelated third party to OCS, who was a Louisiana resident. Prior to this request, OCS never requested a distribution or sent wire instructions to make any deposit into this account.
11. Respondent Haugh responded to the request via email by stating that OCS needed to provide a signed copy of the wiring instructions and attached a PDF file of a distribution request form to be filled out.
12. On February 23, 2015, Respondent Haugh received another email. Attached to the email was a signed copy of the wiring instructions and a signed distribution request form dated February 23, 2015, both in PDF format. Both signatures were clearly forged.
13. The completed distribution request form had OCS's incorrect social security number and date of birth, which did not match OCS's information on his account application.
14. Respondent Haugh replied to the email stating that the type of distribution under Section 2 of the distribution form had not been checked and requested what type of distribution this was. February 23, 2015, a response was received via email stating that it was to be a required minimum distribution.
15. Moreover, on February 23, 2015, Respondent Haugh received another email to his SPAM folder stating: "Dan, Kindly email me as soon as the wire is completed. Thanks, [OCS.]" Respondent Haugh responded to this email that "it has already gone."
16. On March 4, 2015, Respondent Haugh received another email. Attached to this email was a signed wiring instruction and completed distribution form both in PDF formats, again both signatures were clearly forged.
17. The signed wiring instruction, dated 3/4/2015, was for \$45,780 to an account held by unrelated third party of OCS, an Alabama resident. Prior to this request, OCS never requested a distribution or sent wire instructions to make any deposit into this account. Moreover, the signed distribution request form, dated 3/4/2015, again contained OCS's incorrect security number and date of birth.
18. Furthermore, both distribution request forms dated 2/23/2015 and 3/4/2015 elected not to have the federal tax withheld from the distributions.
19. Respondent Haugh received another email asking what the status of the transfer was on March 4, 2015. Respondent Haugh replied that "it had been sent."

Notice of Hearing

-1500161-

20. Again on March 10, 2015, Respondent Haugh received another email. Again attached to the email was a signed wiring instruction and completed distribution form, once again both signatures were clearly forged.
21. The signed wiring instruction, dated 3/10/2015, was for \$53,980 again to be wired to an account held by unrelated third party to OCS, an Alabama resident. Moreover, the signed distribution request form, dated 3/10/2015, again contained OCS's incorrect social security number and date of birth, and did not elect to have the federal tax withheld.
22. Respondent Haugh received another email asking what the status of the transfer was on March 10, 2015. Respondent Haugh replied that "it has gone."
23. Later in the day on March 10, 2015, Respondent Haugh replied to the email again stating: "[OCS], I was just notified by RBC that the wire was rejected by the receiving bank, RBC inquired but the bank did not give them a reason. This is a new one for me, but I believe that the next step would be for you to contact that bank and ask them. Dan." A reply came back to this email stating that he will call and confirm.
24. On March 11, 2015, Respondent Haugh received another email. Attached to this email was a different signed wiring instruction, with a clearly forged signature.
25. The signed wiring instruction, dated 3/11/2015, was for \$53,980 to be wired to a different account held by unrelated third party to OCS, a New York resident. Prior to this request, OCS never requested a distribution or sent wire instructions to make any deposit into this account.
26. At this point Respondent Haugh replied to the email asking OCS to call to discuss yesterday's (3/10/2015) transaction. Respondent Haugh received a reply stating that he was out of town and that was the reason he made the transaction via email.
27. Respondent Haugh finally called OCS and learned that OCS never sent any emails requesting distributions, that the emails did not come from him, and this was the first he was hearing about this. OCS then asked what Respondents' PTI's and Haugh's procedures were for wire transfer requests via email.
28. Section 14. Know Your Customer of PTI's written supervisory procedures, explicitly states that for any person that is engaging PTI, PTI will obtain the following: Name, Date of Birth, Physical address, and Taxpayer Identification Number.
29. On November 23, 2009, PTI acquired this information from OCS when he filled out his IRA application with PTI. PTI obtained his date of birth and social security number.
30. Section 14.1.7 of PTI's written supervisory procedures also requires that firm operations staff will verify customers' signatures prior to acting on a LOA instructing the firm to change an address, transfer an account or securities, etc. The firm's Operations staff will

Notice of Hearing

-1500161-

compare all such signatures to the customer's New Account Forms and customer agreements. Any discrepancies will be discussed with the broker and/or customer prior to acting on the LOA.

31. Respondent PTI failed to follow its written supervisory procedures when it received the email requests for distributions to third parties; with incorrect customer information (SSN & DOB) on the distribution request forms, clearly forged signatures on the wire instructions and request forms from what they had on file, and a completely different method of distribution.
32. FINRA Rule 3130 requires a dealer to designate a Chief Compliance Officer "CCO." The CCO is primarily responsible for overseeing and managing compliance within an organization, thereby ensuring that the company and its employees are complying with regulatory requirements, internal policies, and procedures.
33. FINRA states that a Chief Compliance Officer is a primary advisor to the member on its overall compliance scheme and the particularized rules, policies and procedures that the member adopts. This is because a Chief Compliance Officer should have an expertise in the process of (1) gaining an understanding of the products, services or line functions that need to be the subject of written compliance policies and written supervisory procedures; (2) identifying the relevant rules, regulations, laws and standards of conduct pertaining to such products, services or line functions based on experience and/or consultation with those persons who have a technical expertise in such areas of the member's business; (3) developing, or advising other business persons charged with the obligation to develop, policies and procedures that are reasonably designed to achieve compliance with those relevant rules, regulations, laws and standards of conduct; (4) evidencing the supervision by the line managers who are responsible for the execution of compliance policies; and (5) developing programs to test compliance with the member's policies and procedures.
34. Respondent Haugh as CCO failed to follow PTI's written supervisory procedures when he received the email requests for distributions to third parties; with incorrect customer information (SSN & DOB) on the distribution request forms, clearly forged signatures on the wire instructions and request forms from what PTI had on file, and a completely different method of distribution.
35. In January 2012, FINRA released Regulatory Notice 12-05 regarding customer account protection. In that Notice, FINRA recommended that firms reassess their policies and procedures for accepting instructions to withdraw or transfer funds via electronic means to ensure that they are adequately designed to protect customer accounts from the risk that customers' email accounts may be compromised and used to send fraudulent transmittal or withdrawal instructions.
36. FINRA recommended that such policies and procedures should:
 - a) Include a method for verifying that the email was in fact sent by the customer; and

Notice of Hearing

-1500161-

- b) Be designed to identify and respond to “red flags,” including transfer requests that are out of the ordinary, requests that funds be transferred to an unfamiliar third party account, or requests that indicate urgency or otherwise appear designed to deter verification of the transfer instructions.
37. Respondents PTI and Haugh as PTI’s CCO failed to maintain adequate written procedures reasonably designed to review and monitor the transmittal of funds or securities received via email.
 38. Respondents PTI and Haugh were, or should have been, on notice that these scams had been occurring, necessitating a Notice by FINRA. None of these red flags raised enough concern for Respondent PTI or Respondent Haugh to contact OCS in a method other than email, which FINRA had recommended in January 2012. Moreover the first email received by Respondent Haugh, PTI’s CCO, went to his SPAM folder and should have generated a phone call to OCS before any response via email.
 39. Respondent PTI failed to supervise its CCO and executive representative, Respondent Haugh, when he failed to follow Respondent PTI’s written supervisory procedures by executing distributions from a customer’s account to third parties; containing the wrong customer information (SSN & DOB) on the distribution request forms, a completely different signature on the wire instructions and request forms from what they had on file, and a completely different method of distribution.
 40. Respondent Haugh, as CCO, failed to supervise the transaction, and failed to have procedures in place, for supervision of his transactions as an executive representative.
 41. Section 8.E(1)(e)(iv) of the Act states *inter alia* that subject to the provisions of subsection F of Section 11 of this Act, the registration of a dealer, salesperson, or investment adviser representative may be denied, suspended or revoked if the Secretary of State finds that the dealer, salesperson, or investment adviser representative has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.

Notice of Hearing

-1500161-

42. Section 8.E(1)(g) of the Act states *inter alia* that subject to the provisions of subsection F of Section 11 of this Act, the registration of a dealer, salesperson, or investment adviser representative may be denied, suspended or revoked if the Secretary of State finds that the dealer or salesperson has violated any of the provisions of this Act.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Date of Mailing: 29th day of January 2016



JESSE WHITE
Secretary of State
State of Illinois

You are further notified that you are required pursuant to Section 1104 of the Rules to file an answer to the allegations outlined above, or other responsive pleading within 30 (thirty) days of this notice. Your failure to do this within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default by you.

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website:

<http://www.cyberdriveillinois.com/departments/securities/abtil.html>

Attorneys for the Secretary of State:
Frank Loscuito
Office of the Secretary of State
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-7319

Hearing Officer:
Law Office of George Georgopoulos
22 W. Washington Street, Suite 1500
Chicago, Illinois 60602
312-523-3199 Office
312-275-7664 Fax
Geopolis6@gmail.com